

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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FM AMEMBASSY KINSHASA
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E.O. 11652: N/A
TAGS: EFIN, CG
SUBJECT: MORE ON ZAIRE'S PARIS CLUB POSITION

REF: A. KINSHASA 4897 B. KINSHASA 4067

1. SUMMARY: IN REPORT PREPARED FOR THE CONSULTATIVE GROUP. GOZ CONFIRMS ITS INTENTION TO SEEK DEBT RELIEF FOR 1977-1980 AND ESTIMATES AMOUNT OF DEBT RELIEF NEEDED AT ABOUT \$1 BILLION. GOZ'S NEED FOR RELIEF IS BASED ON RATHER CASUAL PROJECTIONS AND DOES NOT TAKE INTO ACCOUNT POTENTIAL FOR SIGNIFICANT CHANGES IN ZAIRE'S FINANCIAL CONDITIONS. END SUMMARY

2. IBRD RESIDENT REP SOMNEZ LET US EXAMINE LAST WEEKEND GOZ PAPER PREPARED FOR CONSULTATIVE GROUP MEETING. OUR INITIAL REACTION IS THAT GOZ PAPER IS NOT ESPECIALLY NOTEWORTHY SUMMARY OF RECENT ECONOMIC PERFORMANCE AND SHOPPING LIST OF PROJECTS NEEDING FINANCING. HOWEVER, WE WISH TO HIGHLIGHT FOLLOWING ASPECTS OF PRESENTATION WHICH APPEAR TO ELABORATE GOZ PARIS CLUB STRATEGY.

3. BALANCE OF PAYMENTS: GOZ PROVIDES BOP ESTIMATES FOR 1977-1980 IN MILLIONS OF ZAIRES (1 ZAIRE EQUALS \$1.15).

TOTAL

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	1977	1978	1979	1980	1977-1980
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I. RECEIPTS	1,277.4	1,491.0	1,713.5	1,273.6	6,355.5
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A. MERCHANDISE	1,117.1	1,314.9	1,519.9	1,662.4	5,614.3
B. FREIGHT AND					
INSURANCE	16.1	18.4	20.4	22.4	77.9

C. SERVICES	103.2	113.5	124.8	135.9	477.4
D. TRANSFERS	40.4	44.2	48.4	52.9	185.9
II. EXPENDITURES	1,531.8	1,917.0	2,177.8	2,369.0	7,995.6

A. MERCHANDISE	1,017.9	1,221.5	1,404.7	1,615.4	5,259.5
B. SERVICES	282.4	319.5	342.0	317.3	1,261.2
C. TRANSFERS	85.4	93.7	98.4	101.5	379.0
D. OTHER	146.1	282.3	332.7	334.8	1,095.9
III. GROSS DEFICIT	254.4	426.0	464.3	495.4	1,640.1
IV. FINANCING	225.9	225.9	226.9	225.9	904.6

PRIVATE CAPITAL	24.9	24.9	24.9	24.9	99.6
B. PUBLIC CAPITAL	130.0	130.0	130.0	130.0	520.0
C. GRANTS	771.0	71.0	72.0	71.0	285.0
V. NET DEFICIT	28.5	199.1	20.6	269.5	735.5

4. DEBT RESCHEDULING AIMS: GOZ SUGGESTS AGGREGATE FINANCING NEED
OF 1640 MILLION ZAIRES (PARA 8, LINE III) WILL BE MET AS FOLLOWS:

--ZQ100 MILLION-PRIVATE CAPITAL
--Z520 MILLION-RESCHEDULING OF DIRECT PUBLIC DEBT
--Z285 MILLION-GRANTS
--Z500 MILLION- RESCHEDULING OF DEBT SERVICES PAYABLE BY
ZAIRIAN BUSINESSES (INCLUDING MUCH GUARANTEED BY GOZ)
--REMAINDER-FURTHER IMF BORROWINGS
GOZ SUGGESTS THAT DEBT SERVICE DUE THIS PERIOD BE CONSOLIDATED AND
RESCHEDULED OVER NEXT DECADE.

5. DEBT PROFILE: GOZ PROVIDES FOLLOWING ESTIMATES OF SERVICE ON
PUBLIC EXTERNAL DEBT IN MILLIONS OF ZAIRES, BROKEN DOWN BY
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CREDITOR:

	1977	1978	1979	1980
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I. PRINCIPAL	231.3	244.5	276.7	246.5
A. EUROPE	157.4	166.6	204.3	181.8
B. AMERICA IN-				
CLUDING CANADA	58.1	61.7	47.2	40.7
C. ARAB & ASIA	12.4	12.2	12.2	11.7
D. INTERNATIONAL				
ORGANIZATIONS	3.4	3.8	13.0	12.3
II. INTEREST	76.9	93.3	76.1	59.8
A. EUROPE	58.4	70.9	56.2	45.6
B. AMERICA	11.0	16.2	15.1	10.6
C. ARAB & ASIA	6.0	4.9	3.9	2.7
D. INTERNATIONAL				
ORGANIZATIONS	1.5	1.2	.9	.7
TOTAL	308.3	337.8	352.7	306.3

6. COMMENT: GOZ PROJECTIONS OF BOP NEED ARE RATHER CAUSUAL AND DO NOT TAKE INTO ACCOUNT LIKELIHOOD OF INCREASED EXPORT RECEIPTS FROM COFFEE (IN SHORT TERM) AND COPPER (IN LONGER TERM). INVESTMENT NEEDS BASED ON CONJECTURE THAT ZAIRE'S MARGINAL CAPITAL OUTPUT RATIO IS FOUR, THUS REQUIRING INVESTMENT AT 20 PERCENT OF GDP TO GENERATE 5 PERCENT ANNUAL REAL GDP GROWTH RATES. GOZ CALL FOR RESHCEDULING OF OVER ONE BILLION ZAIRES OVER FOUR YEARS CLEARLY AN INITIAL BARGAINING POSITION DESIGNED TO IMPRESS CREDITORS WITH MAGNATUDE OF ZAIRE'S NEEDS. EMBASSY, HOWEVER, BELIEVES ONE YEAR APPROACH OUTLINED REF B--PARTICULARLY LINKAGE OF RESCHEDULING TO IMF PROGRAM AND CHANGING BALANCE OF PAYMENTS SITUATION--OFFERS BEST MEANS OF ENCOURAGING GOZ TO UNDERTAKE ECONOMIC REFORMS NECESSARY FOR BOTH SHORT RUN STABILIZAION AND LONG RUN DEVELOPMENT.
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